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Improving the financial situation of the United Nations

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Report of the Secretary-General

Summary

The present report updates the information on the financial situation of the United Nations contained in the previous report of the Secretary-General (A/61/556/Add.1). It also provides a review of the Organization's financial situation as at 31 October 2007 and updated projections to 31 December 2007.

The report considers four main financial indicators: assessments issued; unpaid assessed contributions; available cash resources; and the Organization's outstanding debt to Member States. At 31 October 2007, assessments issued during 2007 were higher than at 31 December 2006 under all categories. Unpaid assessments at 31 October 2007 were also higher than at 31 December 2006 for all categories.

Cash balances at the end of 2007 are projected to be higher than at the end of 2006 for all categories except the regular budget.

Amounts owed to troop and equipment providers are expected to decrease by about $300 million at 31 December 2007 from 31 December 2006, but are somewhat higher than the projection made in May. Payments of troop and equipment obligations were broadly current up to August 2007 and June 2007, respectively, for six peacekeeping missions (UNDOF, UNIFIL, UNMEE, UNMIS, UNOCI and UNMIT). However, cash shortfalls mean that reimbursements have fallen behind the normal quarterly reimbursement process for seven missions (MINURSO, UNMIK, UNOMIG, MINUSTAH, MONUC, UNFICYP and UNMIL).

The financial position of the United Nations remains fragile. Unpaid assessed contributions are heavily concentrated among a few Member States; the final outcome for 2007 will depend in large measure on the payments that they make in the final quarter of 2007. The only way to overcome the problem and to ensure a more stable financial base for the work of the United Nations is for Member States to meet their financial obligations to the Organization in a fuller and more timely fashion. Otherwise, cash shortfalls are possible.

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I. Introduction

1. The present report updates the information on the financial situation of the United Nations contained in the previous report of the Secretary-General (A/61/556/Add.1). It also provides a review of the Organization's financial situation as at 31 October 2007 and updated projections to 31 December 2007.

2. The picture that the above-mentioned information presents of 2007 is generally mixed and the United Nations still has some way to go before it achieves a clean bill of financial health.

3. The financial strength of the United Nations has traditionally been measured by four main indicators: assessments issued; unpaid assessed contributions; available cash resources; and the Organization's outstanding debt to Member States.

II. Review of the financial situation at 31 October 2007

4. A review of the financial situation shows increases in the level of assessments for the regular budget (from $1,755 million at 31 December 2006 to $2,069 million at 31 October 2007), for peacekeeping (from $3,450 million to $6,477 million), the international tribunals (from $269 million to $296 million) and the capital master plan (from $109 million to $353 million). Peacekeeping assessments issued in 2007 are considerably higher than those issued by the end of 2006 because assessments for the first half of 2007 of almost $1 billion were deferred and assessed only in January 2007, as the scale of assessments for 2007-2009 was adopted by the General Assembly only in late December 2006, and also because of significant expansion and increase in the budgets of some operations. As at 31 October 2007, unpaid assessments for the regular budget, the tribunals, peacekeeping and the capital master plan were also higher than at the end of 2006.

5. The Secretary-General would like to pay a special tribute to the 23 Member States that have paid in full all assessed contributions due and payable at 31 October 2007 for the regular budget, peacekeeping operations, the international tribunals and the capital master plan: Antigua and Barbuda, Australia, Austria, Azerbaijan, Brazil, Burundi, Canada, Colombia, Côte d'Ivoire, Czech Republic, Finland, Germany, Iceland, Liechtenstein, New Zealand, Poland, Romania, Russian Federation, Samoa, Singapore, South Africa, Switzerland and Thailand. Georgia, Guinea and Sweden have subsequently paid all assessed contributions that are currently due and payable. Other Member States are urged to follow the example of those countries.

A. Regular budget

6. Assessments and payments were both higher at 31 October 2007 than at 31 October 2006, by $314 million and $151 million respectively. However, owing to the increase in assessments being higher than the increase in payments, unpaid assessed contributions were also higher by $175 million, at $836 million on 31 October 2007, compared to $661 million on 31 October 2006.

7. On a positive note, the number of Member States that had paid their regular budget assessments in full by 31 October 2007 was 126, four higher than on

31 October 2006. The corresponding figure for 31 December 2006 was 139. The Secretary-General wishes to thank the 126 Member States that honoured their obligations for the regular budget in full at 31 October 2007 and urges other Member States to follow their example.

8. Of the $836 million that remained outstanding at 31 October 2007, 94 per cent was owed by a single Member State and 6 per cent by the remaining Member States. Clearly, the final picture for 2007 will largely depend on the action taken by those countries in the coming few weeks.

9. Cash resources for the regular budget comprise the General Fund, to which assessed contributions are paid; the Working Capital Fund, at present approved at the level of $150 million by the General Assembly; and the Special Account. The final position will also depend in large measure on the action to be taken by the countries referred to above. Depending on action yet to be taken on a national budget, it may be necessary to borrow $86 million from reserve accounts by the end of December 2007. Alternatively, if the major contributor pays the full amount of its 2007 assessment, there could be a positive cash balance at the end of December 2007.

10. It was necessary to draw on reserves in November 2006. Although the cash balance of the General Fund has been positive so far in 2007, a drawdown on reserves in November and again in December 2007 can be anticipated. As I have noted, the final outcome in 2007 will in large part depend on the action of a few Member States.

B. Peacekeeping operations

11. The unpredictable nature of the demand for peacekeeping activities makes it hard to predict financial outcomes with any confidence. In addition, peacekeeping has a different financial period, running from 1 July to 30 June rather than from 1 January to 31 December; assessments are issued separately for each operation; and, since assessments can currently be issued only through the mandate period approved by the Security Council for each mission, they are issued for different periods throughout the year. All of these factors complicate a comparison between the financial situation of peacekeeping operations and that of the regular budget and the tribunals.

12. The total amount outstanding for peacekeeping operations at 31 October 2007 was approximately $3.5 billion. This is approximately $1.6 billion higher than at the end of 2006. This is partly owing to the fact that almost $1 billion in assessments for 2006 was deferred and assessed only in January 2007 because the scale of assessments for 2007 was not adopted until the end of December 2006, and partly owing to significant expansion and increase in the budgets of the United Nations Interim Force in Lebanon (UNIFIL), in particular, and, to a lesser extent, the United Nations Stabilization Mission in Haiti (MINUSTAH) and the United Nations Organization Mission in the Democratic Republic of the Congo (MONUC). The $3.5 billion outstanding at 31 October 2007 also includes assessments within the 30-day due period, of approximately $940 million, that were issued on 31 October 2007. In addition, the amount currently outstanding does not include assessments for new operations, such as the African Union-United Nations Hybrid Operation in Darfur (UNAMID) and the United Nations Mission in the Central

African Republic and Chad (MINURCAT). It is currently estimated that assessments for these two missions on the order of $1.5 billion would be issued either in December or January, subject to approval by the General Assembly.

13. As with the regular budget, the $3.5 billion in unpaid assessments as at 31 October 2007 is highly concentrated. Over half of the total, 59 per cent, was from just two Member States and another 18 per cent was from four other Member States.

14. At 31 October 2007, 24 Member States had paid all peacekeeping assessments that were then outstanding, due and payable, namely: Antigua and Barbuda, Australia, Austria, Azerbaijan, Brazil, Burundi, Canada, Colombia, Côte d'Ivoire, Czech Republic, Finland, Germany, Iceland, Liechtenstein, New Zealand, Poland, Romania, Russian Federation, Samoa, Singapore, South Africa, Switzerland, Thailand and Togo. In addition, Georgia, Guinea and Sweden have subsequently paid all their assessed peacekeeping contributions that are currently due and payable.

15. The cash balance in peacekeeping accounts at 31 October 2007 was some $1.8 billion. This amount was divided between the accounts of a number of ongoing and closed operations and the Peacekeeping Reserve Fund. However, there are restrictions on the use of these resources. In its resolutions on the financing of peacekeeping operations, the General Assembly routinely specifies that no peacekeeping mission shall be financed by borrowing from other active missions. In addition, the terms of reference of the Peacekeeping Reserve Fund restrict its use to new operations and the expansion of existing operations. Further, only some of the cash available in the accounts of closed peacekeeping operations is currently available for cross-borrowing. At 31 October 2007, cash in the accounts of active missions totalled approximately $1.1 billion, the Peacekeeping Reserve Fund had $146 million and the accounts of closed missions had $612 million.

16. Based on information currently available, it is expected that total cash available in peacekeeping accounts at the end of 2007 will total a little less than $1.9 billion, with $1.1 billion in the accounts of active missions, $622 million in the accounts of closed missions and $110 million in the Peacekeeping Reserve Fund. These estimates are based on projected income and outgoings and on the retention of cash balances in closed peacekeeping operations.

17. Of the $622 million expected to be available in the accounts of closed peacekeeping operations at the end of this year, $21 million relates to cash deficit missions and $411 million is set aside for amounts to be paid for outstanding liabilities, such as troop and equipment payments and credits to be returned to individual Member States. This leaves only $190 million that is available for possible cross-borrowing by active peacekeeping operations, as well as for other accounts, including the regular budget and the international tribunals. This is a very thin margin for cross-borrowing. Cross-borrowing was required in 2006 for three active peacekeeping operations: the United Nations Interim Administration Mission in Kosovo (UNMIK), the United Nations Observer Mission in Georgia (UNOMIG) and the United Nations Mission for the Referendum in Western Sahara (MINURSO). So far in 2007, cross-borrowing from the accounts of closed peacekeeping operations has been required for five active missions: UNMIK, UNOMIG, MINURSO, the United Nations Peacekeeping Force in Cyprus (UNFICYP) and MINUSTAH.

C. International tribunals

18. The financial position of the international tribunals for Rwanda and the former Yugoslavia remained relatively acceptable in 2007. Assessments in 2007 are somewhat higher than those in 2006 and the amount outstanding is also slightly higher, by about $9 million.

19. The number of Member States paying their assessed contributions for both international tribunals in full by 31 October 2007 was 92, seven more than on the same date in 2006. The Secretary-General wishes to express his appreciation to the 92 Member States that have met their financial obligations to the tribunals in full and urge other Member States to follow their example.

20. The final financial position of the tribunals will obviously depend on the payment of assessed contributions by Member States during the balance of this year. The current estimate is that the level of unpaid assessed contributions at the end of December 2007 will be slightly lower than the level at the end of 2006. The breakdown of unpaid assessed contributions for the tribunals shows a high degree of concentration, with one Member State accounting for over 62 per cent of the total and the remaining Member States accounting for over 37 per cent. A lot will depend, therefore, on the action to be taken by those Member States.

21. If recent positive trends continue, the tribunals should end the year with positive cash balances, although the position of the International Tribunal for the former Yugoslavia is expected to be stronger than that of International Criminal Tribunal for Rwanda. Once again, however, the actual outcome depends on Member States meeting their financial obligations to the tribunals in a full and timely fashion.

D. Capital master plan

22. The total budget for the capital master plan project of $1.88 billion was approved by the General Assembly on 22 December 2006 (resolution 61/251).

23. In accordance with General Assembly resolution 61/251, as of 7 May 2007 180 Member States are under the multi-year payments system and 12 Member States have opted for one-time payment. Since 7 May 2007, a further 8 Member States have paid their multi-year assessments in a single payment. As at 31 October 2007, 107 Member States had made payments which totalled $355 million, with $150 million still outstanding. In addition, as at 31 October 2007, 123 Member States had made payments for the working capital reserve which totalled over $33 million. In order to ensure the timely execution of the project, all Member States are urged to pay their assessed contributions to the capital master plan in full and on time.

III. Debt to Member States

24. The forecast in May 2007 was that the Organization's debt to Member States providing troops and equipment to peacekeeping operations would be reduced to $589 million. Based on revised projections, it now appears that the amount outstanding at the end of 2007 will be some $731 million, which is somewhat higher than the projection, made in May, but nevertheless significantly lower than the

amount of $1,010 million outstanding at 31 December 2006. New obligations in 2007 were up, owing mainly to full deployment of troops in the United Nations Operation in Côte d'Ivoire (UNOCI), the United Nations Mission in the Sudan (UNMIS) and MONUC, and expansion of UNIFIL. The total number of troops and formed police units deployed rose from 73,850 at the end of 2006 to 75,320 at 31 October 2007.

25. Payments of troop and equipment obligations were broadly current up to August 2007 and June 2007 for six peacekeeping missions: the United Nations Disengagement Observer Force (UNDOF), UNIFIL, the United Nations Mission in Ethiopia and Eritrea (UNMEE), UNMIS, UNOCI and the United Nations Integrated Mission in Timor-Leste (UNMIT). However, cash shortfalls mean that reimbursements have fallen behind the normal quarterly reimbursement process for seven missions: the United Nations Mission for the Referendum in Western Sahara (MINURSO), UNMIK, UNOMIG, MINUSTAH, MONUC, UNFICYP and the United Nations Mission in Liberia (UNMIL).

26. In this regard, owing to delays in the receipt of contributions, there is the real possibility of the Secretariat not being able to make the next quarterly payment to troop contributors until at least the early months of 2008, as it would be necessary to first ensure adequate provision of cash resources to meet ongoing operating cost requirements through the first months of 2008. However, the Secretary-General will continue to monitor and review the peacekeeping operations cash flow situation constantly, and will endeavour to make the next quarterly payment as soon as sufficient new cash is available.

27. On a more optimistic note, there are indications that the major contributor may make a partial payment in the near future, covering some of its outstanding obligations towards certain peacekeeping operations. In that event, it is intended to make immediate special payments to troop contributors of those missions whose payments lag behind.

28. The Secretary-General is committed to meeting the Organization's obligations to Member States providing troops and equipment to peacekeeping operations as expeditiously as possible. The extent to which he can do this, however, will depend on the degree to which Member States meet their financial obligations to the United Nations in full and on time, and on the finalization of memorandums of understanding with troop contributors for provision of equipment.

IV. Conclusions

29. Although the financial situation is expected to show some improvement by the end of 2007, this is very much dependent on receipt of significant payments by the end of the year from a few Member States.

30. The Secretary-General also wishes to pay special tribute to the following Member States that had paid in full all assessments for the regular budget, the international tribunals, the peacekeeping operations and the capital master plan that were due and payable as at 31 October 2007. These were: Antigua and Barbuda, Australia, Austria, Azerbaijan, Brazil, Burundi, Canada, Colombia, Côte d'Ivoire, Czech Republic, Finland, Germany, Iceland, Liechtenstein, New Zealand, Poland, Romania, Russian Federation, Samoa, Singapore, South Africa, Switzerland and

Thailand. In addition, Georgia, Guinea and Sweden have subsequently paid all assessed contributions that are currently due and payable. Other Member States are urged to follow the example of those countries.

31. The financial indicators for 2007 are mixed. The position of the regular budget is uncertain and the outcome for 2007 will depend on action to be taken in the next few weeks by a few Member States. Regarding peacekeeping operations, unpaid assessments show increases. Nevertheless, should anticipated receipts materialize in the coming weeks, 2007 could end with a lower amount of debt to troop contributors than at the beginning of this year.

32. In order to maintain the financial health of the Organization, it remains as critical as ever for Member States to meet their financial obligations to the United Nations in full and on time.